

## CHAPTER 1

# THE CHANGING ROLE OF LEADERSHIP

*Building Partnerships Inside  
and Outside the Organization*

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In a recent study (sponsored by Accenture), we completed in-depth interviews with more than 200 specially chosen, high-potential leaders from around the world. When compared to colleagues at their level in their organizations, all of these participants were seen as being at the very top. They were asked to describe how the ideal leader of the future would differ from the leader of the past. The results clearly portrayed this individual as someone skilled at building partnerships inside and outside the organization. Although these skills were seen as having been somewhat important in the past, they were viewed as critically important for the future.<sup>i</sup>

Much has been written on *how* leaders can build partnerships (including several chapters in this book). This section builds on our research and focuses on *why* the leader of the future will need to be a builder of partnerships. Six different types of partnerships are explored: three inside the organization (direct reports, co-workers, and managers) and three outside the organization (customers, suppliers, and competitors).

### **BUILDING PARTNERSHIPS INSIDE THE ORGANIZATION**

#### **Partnering with Direct Reports**

The traditional assumptions that have “bonded” employees with organizations are changing rapidly. Employees no longer expect that their organizations will provide them with job security. As the expectation of security has diminished, so has the blind loyalty that was implicit in this security. Almost all of the high-potential leaders whom we interviewed saw themselves as “free agents,” not “employees” in the traditional sense.<sup>ii</sup> They saw the leader of the future as a person who could build “win-win” relationships and who could be sensitive to their needs for professional growth and development. They then felt not only a desire but also a responsibility to deliver value in return, to the leader and to the organization. In simple terms, they saw the leader of the future as their *partner*, not their *boss*!

As Peter Drucker has noted on many occasions, one of the great challenges for leadership in the future will be the management of knowledge workers. Knowledge workers are people who know more about what they are doing than their manager does.<sup>iii</sup> The high-potential people we interviewed painted a very clear picture. The managers of the best knowledge workers of the future will have to be good partners. They won’t have a choice! If they are not great partners, they won’t have great people.

## **Partnering with Co-Workers**

Another great challenge for the leader of the future is breaking down boundaries. The successful leader of the future will be able to share people, capital, and ideas across the organization. As the world becomes more complex, this type of integration becomes more important, a concept that is easy for the CEO to understand.<sup>iv</sup> The CEO is rewarded by the success of the entire organization, not just that of any one unit. The CEO can understand that people need to be shared so that they can develop the expertise and breadth needed to manage the entire organization. Capital needs to be shared so that mature businesses can transfer funds to high-growth businesses. Ideas need to be shared so that everyone in the organization can learn from both successes and mistakes in the most efficient way possible. The high-potential leaders we interviewed saw themselves as potential CEOs and recognized the value of this perspective.

Although these advantages are easy to see from the vantage point of the CEO, they can be more difficult to execute from the position of the lower level manager. Leaders at all levels will need to develop the skills to negotiate and build “win-win” relationships with colleagues. In some cases they must choose to experience a short-term loss so that the organization can achieve a long-term gain. In the past, many leaders were taught to compete with colleagues for people, resources, and ideas. They had been rewarded for “winning” this competition. In the future, leaders will need to learn to collaborate and share with colleagues across the organization. The success of the larger organization will depend on the leaders’ abilities to become great partners with their co-workers. In many cases, the participants in our research believed that developing partnerships with co-workers was an even greater challenge for leaders than developing partnerships with direct reports.

## **Partnering with Managers**

Other than the CEO, every leader in the organization has a manager.

The changing role of leadership will mean that the relationship between managers and direct reports will have to change in both directions. Not only managers, but also direct reports (who also may be leaders), will need to change. Many leaders of the future will be operating more like the managing director of an office in a consulting firm than the operator of an independent small business. This is true not only in business, but also in the human services sector. The new leader of the United Way, Brian Gallagher, recently described the ideal future leaders of this organization as partners leading in a network, not managers leading in a hierarchy.<sup>v</sup>

A consulting firm that could be a benchmark in partnering between junior and senior people is McKinsey and Company. At McKinsey, a director may often have less detailed knowledge about a client than a more junior principal. Leaders at all levels are trained in the following philosophy: “When you believe that the direction you are being given is not in the best interest of our client, you do not have the opportunity to challenge, you do not have the right to challenge, you have the obligation to challenge.” This philosophy teaches leaders at all levels to have very adult and responsible relationships with their managers.

Our high-potential participants saw the leaders of the future as working with their managers in a team approach that combined the leader’s knowledge of the unit operation with their managers’ understanding of the larger needs of the organization. Such a relationship requires taking responsibility, sharing information, and striving to see both the micro- and macro-perspective. While partnering with management can be much more complex than “taking orders,” it is becoming a requirement, not an option. When direct reports know more

than their managers, they have to learn how to influence “up” as well as “down” and “across.”

## **BUILDING PARTNERSHIPS OUTSIDE THE ORGANIZATION**

### **Partnering with Customers**

As companies have become larger and more global, there has been a shift from buying stand-alone products to buying integrated solutions.<sup>vi</sup> One reason for this shift is economy of scale. Huge retail corporations, such as Home Depot or Wal-Mart, do not want to deal with thousands of vendors. They would prefer to work with fewer vendors who can deliver not only products but also systems for delivery that are customized to meet their needs. A second reason is the convergence of technology. Many customers now want “network solutions,” not just hardware and software.

As the suppliers’ relationships with their customers continue to change, leaders from supply organizations will need to become more like partners and act less like salespeople. Our participants noticed a shift toward building long-term customer relationships, not just achieving short-term sales. This change means that suppliers need to develop a much deeper understanding of the customer’s total business. They will need to be willing to look at the “big picture” in terms of delivery and reliability and to make many small sacrifices to achieve a large gain.

### **Partnering with Suppliers**

As the shift toward integrated solutions advances, leaders will have to change their relationships with suppliers. A great example is IBM. “A growing percentage of IBM’s business now involves customized solutions incorporating non-IBM products and services. While the idea of IBM selling non-IBM products was almost unheard of in the past, it is now becoming commonplace—to the benefit of customers and, in the long run, IBM itself.”<sup>vii</sup> The same trend is occurring in the pharmaceutical and telecommunications industries.

In a world in which a company sold stand-alone products, partnering with suppliers was viewed not only as unnecessary, but also perhaps as unethical! The company’s job was to “get the supplier down” to the lowest possible price to increase margins and profitability. Leaders who partnered with suppliers may well have been seen as “helping the enemy” or having a “conflict of interest.” Today, many leaders realize that their success is directly related to that of their suppliers. Northrop Grumman, one of America’s leading defense contractors, actually includes commitment to suppliers as one of their core values.

The leaders in our study saw suppliers as key partners. They realized that the leaders of the future would be able to transcend differences and focus on a common good—serving the ultimate end user of the product or service.

### **Partnering with Competitors**

The most radical change in the role of leader as partner has come in the area of partnering with competitors. This previously unthinkable concept has now become commonplace. Most of the high-potential leaders who we interviewed saw competitors as potential customers, suppliers, and partners with few clear lines of demarcation. While there are still some noted exceptions to this trend (e.g., Coca-Cola and Pepsi), the direction of the curve is very clear. Most organizations that rely on knowledge workers have varied and complex relationships with competitors.

When today's competitors may become tomorrow's customers, the definition of "winning" changes. As people have memories, unfairly "bashing" competitors or striving to ruin their business could have harmful long-term consequences. While competitors should not expect collusion or unfair practices, they should expect integrity, respectful treatment, and fair dealing.

## CONCLUSION

It becomes obvious in reading this chapter that the six trends toward more partnering reinforces each other. For example, as employees sense less job security, they begin to see suppliers, customers, and competitors as potential employers. The fact that leaders need to learn more about these other organizations, build long-term relationships, and develop "win-win" partnerships means that the other organizations are even more likely to hire the leaders. In many cases, this is seen as a positive, not a negative by both organizations. As the trend toward outsourcing increases, it becomes increasingly difficult to determine who is a customer, supplier, direct report, manager, or partner.

Almost every high-potential leader we interviewed believed that the leader of the future would need to be far more skilled than the leader of the past. In many ways the "old world" was simpler. Telling direct reports (who know less than we do) what to do is much simpler than developing relationships with partners (who know more than we do). Being able to work in a "silo" is much simpler than having to build partnerships with peers across the organization. "Taking orders" from managers is much simpler than having to challenge ideas that are not going to meet customer needs. Selling a product to customers is much simpler than providing an integrated solution. Getting the lowest price from suppliers is a lot simpler than understanding their complex business needs. Vying with competitors is a lot simpler than having to develop complex customer—supplier—competitor relationships.

The challenge of leadership is growing. The high-potential leaders of the future who we studied believe that many of the qualities considered important in the past, such as integrity, vision, and self-confidence, will be required in the future as well. They believe that in addition, building partnerships inside and outside the organization will become a *requirement*, not an *option*, for future leaders.

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<sup>i</sup> For a more in-depth discussion of this study and the importance of partnerships, see Goldsmith, M., Robertson, A., Greenberg, C. *Global Leadership: The Next Generation*, 2003.

<sup>ii</sup> See "Coaching Free Agents." Goldsmith, M., Sommerville, I., Greenberg-Walt, C. *Coaching for Leadership*. Jossey-Bass, San Francisco, (Marshall Goldsmith, Lawrence Lyons, Alyssa Freas, eds.), 2000

<sup>iii</sup> Drucker, Peter. *The Essential Drucker*. HarperBusiness, New York, 2001, 78 pp.

<sup>iv</sup> Ashkenas, R., Ulrich, D., Jick, T., Kerr, S. *The Boundaryless Organization*. JosseyBass, San Francisco, 1995.

<sup>v</sup> Brian Gallagher, personal interview with the author, January 24, 2002.

<sup>vi</sup> Goldsmith, M. "On a Consumer Watershed." *Leader to Leader*. No. 5, Summer, Drucker Foundation, Jossey-Bass, San Francisco. 1997.

<sup>vii</sup> Ibid.